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MINISTRY OF COMMERCE AND INDUSTRY

NOTIFICATION

New Delhi, the 7th September 1957

S.R.O. 2859-A.—Whereas a request in writing has been received in this behalf from the governing body of the Central India Cotton Association Limited, Indore:

Now, therefore, in exercise of the powers conferred by sub-section (1) of Section 12 of the Forward Contracts (Regulation) Act, 1952 (74 of 1952), the following draft of certain further amendments in the bye-laws of the said Association is published as required by sub-section (4) of the said Section for information of all persons likely to be affected thereby; and notice is hereby given that the said draft will be taken into consideration on or after the 21st September, 1957. Any objection or suggestions which may be received from any person through the Secretary, Forward Markets Commission, Bombay with respect to the said draft before the date so specified will be considered by the Central Government.

Draft Amendments

In the said Bye-laws—

I. For Bye-law 3, the following Bye law shall be substituted, namely:—

- "3(1) Every member shall pay in advance before Kartik Sudi 15 of each year the annual subscription of Rs. 150 either in the Registered Office or in the office of the Ujjain Ring of the Association.
- (2) If any member fails to pay the annual subscription before the date mentioned in clause (1), a notice shall be served on him directing him to pay the same within fifteen days from the date of notice. If the member fails to pay the subscription before the last date mentioned in such notice, the Board shall have the power to expel him from membership and to strike off his name from the Register of Members."

II. For Bye-law 7, the following Bye-law shall be substituted, namely:—

- "7(1) Every sub-member shall pay in advance before Kartik Sudi 15 of each year the annual subscription of Rs. 50 either in the Registered Office or at the office of the Ujjain Ring of the Association.
- (2) If any sub-member fails to pay the annual subscription before the date mentioned in clause (1) of this Bye-law, a notice shall be served on him directing him to pay the same within fifteen days from the date of the notice. If the sub-member fails to pay the subscription before the last date mentioned in such notice, the Board shall have the power to expel him from the sub-membership and to strike off his name from the Register of sub-members, without any further notice".

III. After Bye-law 33, the following Bye-law shall be inserted, namely:—

- "33A(1) Notwithstanding anything contained in clause (1) of Bye-law 33, but subject always to any orders passed under the provisions of the Essential Commodities Act, 1955 in this behalf, the Board may at any time, by a resolution passed by itself and concurred in by the Forward Markets Commission, prescribe a maximum and/or minimum price for hedge contracts for cotton and specify the period for which the said maximum or minimum price shall remain in force.
- (2) The Board may at any time, by a resolution passed by itself and concurred in by the Forward Markets Commission, prescribe a maximum and/or minimum price for hedge contracts for cottonseed and specify the period for which the said maximum or minimum price shall remain in force.
- (3) The Board shall be entitled to vary or remove such maximum or minimum price with the previous concurrence of the Forward Markets Commission".

IV. In Bye-law 34, for sub-clause (b), the following shall be substituted, namely:—

- "(b) Hedge contracts between members on the one hand and their constituents (including sub-members) on the other shall also be in writing and in the form of client's contract note appended to these Bye-laws. Bye-laws Nos. 14 to 31, 67 to 92, 96 to 104, 105, 106, 109(2), 114(c), 162, 163, 164(a), 213(a) and 219 shall not apply to such contracts. Such Contract Note shall contain a provision that they are subject to these Bye-laws or words to a similar effect. No forward contract entered into under these Bye-laws shall be cancelled by any of the parties thereto."

V. For Bye-law 48, the following shall be substituted, namely:—

- "48(1) Every member of the Association shall pay, on each working day by 1 P.M., into the Settlement Account of the Association with the Bank approved by the Board for this purpose, a deposit by way of margin (not carrying interest) in respect of the outstanding contracts entered into by him. The said margin, calculated as follows, shall be payable on the net open position of the previous day in respect of hedge contracts for cotton and cottonseed.

COTTON:

- On the first 500 bales—No margin.
 On the next 1500 bales or part thereof—Rs. 5 per bale.
 On the next 3,000 bales or part thereof—Rs. 7.50 nP. Per bale.
 On the next 3,000 bales or part thereof—Rs. 10 Per bale.
 On the next 7,000 bales or part thereof—Rs. 15 Per bale.
 Over 15,000 bales—Rs. 25 Per bale.

COTTONSEED:

- On the first 500 manis—No margin.
 On the next 500 manis or part thereof—Rs. 3 Per Mani.
 On the next 500 manis or part thereof—Rs. 4.50 nP. Per Mani.
 On the next 500 manis or part thereof—Rs. 6 Per Mani.
 On the next 1,000 manis or part thereof—Rs. 9 Per Mani.
 Over 3,000 manis—Rs. 15 Per Mani.

Provided however that it shall be permissible to any such member to set off the whole or part of such deposit by way of margin against any amount of margin paid by such member under the daily statement sent by him for the previous day. For the purpose of this Bye-law the Board or the President may prescribe from time to time the form in which the particulars of daily margin are to be furnished.

- (2) No member shall have at any time a total net open position exceeding 25,000 bales in respect of hedge contracts for cotton and 10,000 manis in respect of hedge contracts for cottonseed.

(3) Notwithstanding anything contained in clause (1) of this Bye-law, the Board may, if seemed necessary in the interest of trade, by a resolution passed by it and concurred in by the Forward Markets Commission:

- (a) vary the quantities relating to the net open position or the rates of margin mentioned in the said clause or both either in respect of cotton or cottonseed or both or.
- (b) alter the system of margin specified in clause (1) hereof either in respect of cotton or cottonseed or both."

VI. In Bye-law 79—

- (i) for the words 'at any stage' appearing after the word, 'power', the words 'at any time' shall be substituted, and
- (ii) after the words 'Settlement Rates', the words 'either in respect of cotton or cottonseed or both' shall be inserted.

VII. For Bye-law 80, the following shall be substituted, namely:—

"80. For the purpose of weekly settlement, Settlement Rates for all positions of the Hedge Contract in cotton and/or cottonseed shall be fixed on or about the third working day immediately preceding the Settlement day. Settlement Rate in respect of cotton shall be fixed separately for Indore and for Ujjain. For the fixation of the Settlement Rate, the Board shall appoint two committees, each consisting of five members from the two rings, one of which shall register the Settlement Rates in respect of cotton and cottonseed at Ujjain and the other shall register the Settlement Rate in respect of cotton at Indore. The quorum for the Committee shall be three. The Committees shall fix the Settlement Rates in respect of cotton and cottonseed on the basis of the 1-00 P.M. rate ruling in the ring concerned. If no rates are recorded at 1-00 P.M., the Committee concerned shall fix the Settlement Rates on the basis of the last rate registered at the ring concerned before 1-00 P.M.; if no rates are registered up to 1-00 P.M., the Committee concerned shall fix the Settlement Rates, on the basis of the closing rate at the night session on the last trading day and if no rates are recorded at the night session, the Committee shall fix the Settlement Rates on the basis of the closing rate of the day session on the last trading day."

VIII. In Bye-law 87—

(a) For clause (1), the following shall be substituted, namely:—

"(1) (i) Every member shall prepare and send to the clearing house daily statements in duplicate, (one copy being meant for the use of the Association and the other for the use of the Forward Markets Commission) before 12-00 Noon every day in such form or forms as may be prescribed by the Board from time to time and in accordance with the instructions contained therein;

(a) showing particulars and information as to the sales and purchases directly effected by him in respect of all Hedge Contracts:

- (i) on his own account,
- (ii) on behalf of other members as their brokers, and
- (iii) on behalf of non-members constituents, and the resultant net open position as at the end of previous working day separately in respect of cotton and cottonseed,

(b) containing a statement to the effect that in respect of the constituents' business included therein, the member concerned has obtained statements in writing to the effect that none of them is a partner of any other member firm, and

(c) showing the amount of the margin payable under Bye-law 48 in respect of the net open position so shown, and

(ii) Every member shall submit weekly statements in duplicate in such forms as may be prescribed by the Board from time to time along with the Balance Sheet as required under Bye-law 86:

- (i) Showing the total registration fee payable in respect of sales and purchases in Hedge Contracts, if any, and
 - (ii) Showing the amount of laga payable in respect of the sales and the purchases as required under Bye-law 50.
 - (iii) At each weekly settlement, every member who may have entered into a Hedge Contract in cotton and/or cottonseed in his own name during the period to which the settlement relates or who may have previously so entered into a Hedge Contract which was outstanding at the commencement of the period shall on the Inward Payment Day, and not later than the time specified in the Clearing House notice under Bye-law 86 for payments of debit balances under Balance-sheets, pay into the Settlement Account of the Association with the Bank prescribed by the Board for the purpose such sum as shall cover the contract registration fee, if any, as well as the laga shown as payable under the statements submitted by him under sub-clause (1) hereof.
- (b) After clause (3), the following clause shall be inserted, namely:—
- “(3A) Where the Forward Markets Commission considers it expedient so to do it may call for periodical information relating to Hedge or transferable specific delivery contracts or both entered into by members in such form and in such manner as may be specified.

In particular, and without prejudice to the generality of the foregoing power, such information may relate to—

- (i) contracts entered into by members with another member on his own account,
 - (ii) contracts entered into by members on behalf of each of its clients,
 - (iii) business of non-members appropriated by the member to himself.”
- (c) In clause (4), for the words and figures “A member contravening or not complying with the clauses (1), (2) or (3) hereof or submitting an incorrect statement”, the words and figures “A member contravening or not complying with the provision of clauses (1), (2), (3) and (3A) hereof or submitting an incorrect or incomplete statement” shall be substituted.

IX. For Bye-law 222, the following bye-law shall be substituted, namely:—

- “222(i) If on any day the rate of the Hedge Contract for cotton rises by more than Rs. 15 per bale or falls by more than Rs. 15 per bale and the rate of the Hedge Contract for cottonseed rises by more than Rs. 5 per mani or falls by more than Rs. 5 per mani over or below the respective last settlement rate, then, an emergency shall be deemed to exist and an automatic clearing shall taken place on the following working day at which the emergency shall be deemed to have existed. The Secretary shall immediately notify about the existence of the automatic settlement clearing and members shall submit their balance-sheets along with their cheques in respect of inward payment on the second working day following the day on which the automatic settlement clearing came to exist. The outward payment shall be made as soon as possible unless otherwise provided in these, bye-laws.
- (ii) If a member under *bona fide* belief considers that the emergency settlement declared under 222(i) is not justifiable, he may within 24 hours of such declaration of emergency settlement by the Secretary send a complaint to the President in writing with reasons therefor accompanied by a fee of Rs. 100. The President shall on receipt of such complaint cause such summary enquiry to be made as he may deem necessary, and arrive at a conclusion within 48 hours of the receipt of the complaint or as soon thereafter as possible; and if he is satisfied that the complaint is justified, order the postponement of outward payment of the clearing in respect of which complaint has been made; and in the event of his so ordering the President shall further order the refund of half the fee paid for the investigation.”

[No. 40-Exp(10)/56-TMP.]

K. V. VENKATACHALAM, Jt. Secy.